

**BOARD OF FINANCE**  
**September 20, 2011**  
**Summary Minutes**

**Location:**

Via Video conference at the following locations:

Guinn Room  
101 N. Carson Street  
Carson City, NV 89701

Dept. of Personnel's Conference Room  
555 E Washington Avenue, Suite 1400  
Las Vegas, NV 89101

Governor Sandoval calls the meeting to order at 9:05 A.M.

Governor Sandoval calls roll

*Board members present:*

Governor Brian Sandoval- Carson City  
Treasurer Kate Marshall- Carson City  
Controller Kim Wallin- Phone  
Steve Martin- Las Vegas  
Dave Funk- Carson City

**Agenda Item 1**

Approval of the Board of Finance minutes from the meeting held on May 16, 2011.

**Governor Sandoval:** Do any of the members having any changes to the proposed minutes? I do have one - on the very last page in the second to last paragraph. In the last sentence it should read "talk" instead of "take". I know that is extremely picky. Mr. Mathers and Mr. Winebarger, I appreciate the time you took with me to take these things through. Could you change that to "talk"? Do any other Board members have questions comments or deletions with regard to the proposed minutes under agenda item 1? Before I take a motion, I do have to take public comment. Is there any member of the public in Carson City or Las Vegas who would like to provide public comment with regard to agenda item 1? Hearing none, the chair will accept a motion.

Treasurer Marshall moves to approve with changes  
Dave Funk seconds the motion  
No further discussion  
All members vote in favor- motion passes

## **Agenda Item 2**

Discussion and possible action on a request to approve four Department of Administration Purchasing Division contracts relating to the acceptance of credit cards and debit cards and electronic transfers of money. Approval of the Board is required per NRS 353.1465 and Assembly Bill 402 of the 2011 Legislative Session.

Presenter: Mark Winebarger, Chief Deputy Treasurer  
Kimberly Tarter, Deputy Administrator, Purchasing Division

**Mark Winebarger:** Thank you, Governor. Per AB402 of the 2011 legislative session, all agencies must seek approval of the Board of Finance to enter into contracts for the acceptance of credit cards, debit cards and/or electronic payments. Rather than having all agencies come before the Board of Finance one at a time, this legislation also allows the Department of Administration to enter into such contracts, and if the Board of Finance approves those contracts, then individual agencies do not have to come before the Board to accept credit cards if they use those contracts. Four contracts are being presented for approval at this meeting. Kimberlee Tarter from the Department of Administration, Purchasing Division is here to answer any questions on these contracts.

**Governor Sandoval:** I do have a couple of questions. Regarding American Express - why do they charge us different amounts for DMV and for all other agencies?

**Kimberly Tarter:** Department of Motor Vehicles' nationwide, through their national organization, AMVA, went to American Express and negotiated a lower rate for all Department of Motor Vehicles. Recently, American Express approached the Department of Motor Vehicles and indicated that they are no longer going to offer that reduced rate. Their rate will increase by 5/10 of a percent, but at the same time they are going to reduce the rate for the balance of the State agencies by 5/10 of a percent. There is discussion again as to whether DMV is going to continue to accept American Express based on this new increase.

**Governor Sandoval:** And similarly, under Discover Card there are differing charges for all agencies versus political subdivisions.

**Kimberly Tarter:** Yes, we were not able to negotiate a lower rate for political subdivisions. These are good rates for state contracts and extend to political subdivisions if they so desire to utilize those contracts. However, because their usage is so low we were not able to demonstrate sufficient volume to get them to the same rate as the State.

**Governor Sandoval:** Thank you. I do have another question with regard to AB402. I am not sure who's positioned to answer this question. Under the legislation it requires any department to report to the Legislature why they haven't entered into one of these contracts. In the way that it is worded in the legislation it says they have to explain the reasons for the failure. Are we monitoring all state agencies to ensure they are in compliance with AB402 so that there is no agency in the future that will have to go to IFC or the Legislative Commission to report a failure?

**Treasurer Marshall:** My staff is not in a position to do this. If the deputy AG wants to opine on what needs to be done that is fine, but my staff cannot. We cannot interpret a statute.

**Governor Sandoval:** I am not asking for an interpretation. The way the legislation reads, it requires a state agency that does not enter into such a contract or participate in a contract entered into by the Director of the Department of Administration to report to the Legislative Commission. I just want to make sure that there is a watch dog, for lack of a better term. It may not be the Treasurer's Office. I can speak with Mr. Mohlenkamp, perhaps he is the one who is responsible for that. I just want to make sure there is somebody ensuring that all agencies are participating as required by AB402. If none of you know the answer to that question, that's fine.

**Kimberly Tarter:** Unfortunately, there is not a centralized means of capturing all state agencies that are utilizing credit cards. The state contracts in the past have typically been mandatory for all state agencies that want to accept credit cards. But there were problems with the way the law read, and some agencies were not funded to cover fees. I am not sure if this bill changes this. There are very few agencies currently utilizing credit card acceptance programs. They are still required to go through these contracts and work with the Treasurer's Office. There may be a couple that are not using them - off the top of my head Wildlife comes to mind. They actually contract out an entire scope of work for their hunts for which they accept credit cards. They have a contractor that does that entire project, so it is not feasible for them to extract the credit card out of that total scope of work.

**Governor Sandoval:** I will ask Mr. Mohlenkamp to follow up on this. The reporting requirement I believe is in the even-numbered year according to the legislation, so we do have time to do that. I have no further questions. Do any other Board members have questions with regard to agenda item 2?

**Treasurer Marshall:** The Treasurer's Office can work with the Department of Administration on whatever you need. We do not have the resources to monitor the Department of Administration and all of their credit card contracts.

**Governor Sandoval:** I understand that. This is a responsibility that probably better belongs to the Department of Administration. As I said, I will follow up with the Budget Director.

**Steve Martin:** Just a clarification. The Department of Administration has these contracts and it seems to me that in the past the Board had talked about some contracts - I think for the Controller's Office, Taxicab Authority and others. Are those the same contracts that we are talking about or are those separate?

**Mark Winebarger:** When agencies come before the Board of Finance, like the Taxicab Authority and Controller's Office, they are accessing these contracts. So we are talking about the same contracts, this is just a global Board of Finance approval.

**Dave Funk:** If any one of the agencies wishes to get out of a contract, for example with American Express or Discover, can they do that on their own? Because the fees are higher than what they should be, or do they have to come back through some agency to do that?

**Kimberly Tarter:** Agencies can terminate their relationship unilaterally at any time.

**Dave Funk:** Thank you.

**Governor Sandoval:** Any other Board member questions? Is there any member of the public who would like to provide public comment with regard to this agenda item either in Carson City or Las Vegas? Seeing none, the Chair will accept a motion with regard to agenda item 2.

Dave Funk moves to approve

Steve Martin seconds motion

No further discussion

All members vote in favor-motion passes

### **Agenda Item 3**

Discussion and possible action on request from the Unclaimed Property Division to accept e-checks for payments from holders that file online. (This request is subject to approval of agenda item 2). Approval of the Board of Finance is required per NRS 353.1465.

**Mark Winebarger:** This item is now withdrawn since the Board just approved agenda item 2. As just discussed, this was one of those items where an agency comes specifically to accept electronic payments. Since you approved all of these contracts, Unclaimed Property does not need to seek separate approval.

**Governor Sandoval:** So we just need to remove it from the Agenda?

**Mark Winebarger:** Yes, remove it from the agenda.

**Governor Sandoval:** Then we will move on to agenda item 4.

### **Agenda Item 4**

Discussion and possible action regarding a request from the Division of Health Care Financing and Policy to open two bank accounts- one for the Medicaid program and one for the Check up program. Approval of the Board of Finance is required per NRS 356.005.

Presenter: Lynn Carrigan, Chief Fiscal Officer, DHCFP

**Governor Sandoval:** Good morning.

**Lynn Carrigan:** Good morning. My name is Lynn Carrigan and I am the ASO at Health Care Financing and Policy. We currently have two outside bank accounts that are owned by our fiscal agent, Magellan Medicaid Administration. We are changing fiscal agents, and because of that, we are going to have to close those bank accounts. The bank accounts process provider payments for Nevada Medicaid and Nevada Check up. We are proposing to open two new outside bank accounts under the auspices of the Treasurer's Office. The State of Nevada would

actually own these bank accounts; therefore we would not have to close them if we ever change fiscal agents in the future. Hewlett Packard, our new fiscal agent, would have signatory authority on the bank accounts in order to issue the provider payments.

**Governor Sandoval:** Ms. Carrigan, is this more efficient for us to do this?

**Lynn Carrigan:** Yes sir. Unfortunately the way the claims processing system is set up, it does not upload vendor information into the state's financial accounting system. It uploads at the sub object code level, which is a line item in accounting. So, the vendor information actually never gets into IFS in order to issue the checks out of the states accounting system. Additionally we would have to have approximately 15,000 providers who are currently enrolled with our fiscal agent re-enroll in the state accounting system. We would have to take measures to assure that the information remained consistent between what our fiscal agent has and what the state accounting system has, and we would have to do some very costly reprogramming of the MMIS in order to get the appropriate information into the state accounting system to issue checks out of it.

**Governor Sandoval:** Thank you. I have no further questions. Do any other Board members have questions with regard to agenda item 4?

**Steve Martin:** Just a question for the Controller's Office. Is that the way it is done now - they fund the program? Or is this an additional step that they have to have in the Controller's Office?

**Controller Wallin:** No, it is not an additional step in the Controller's Office.

**Governor Sandoval:** Are there any other Board member questions with regard to agenda item 4? Is there any member of the public in Las Vegas or Carson City that would like to provide public comment with regard to agenda item 4? Hearing none the chair will accept a motion for approval on agenda item 4.

Controller Wallin moves to approve  
Treasurer Marshall seconds the motion  
No further discussion  
All members vote in favor-motion passes

### **Agenda Item 5**

Discussion and possible action regarding the approval or disapproval of the State Treasurer's Local Government Pooled Investment Portfolio Investment Policy. Approval of the Board of Finance is required per NRS 355.045.

Presenter: Mark Mathers, Senior Deputy Treasurer

**Mark Mathers:** Thank you Governor, Mark Mathers Senior Deputy Treasurer. At the last Board meeting in May, the Board of Finance approved a number of changes to the investment Policy for the state's General Portfolio. Consistent with that, we have before you a new

proposed investment policy for the Local Government Investment Pool. The Local Government Investment Pool, or LGIP, is simply an account where local governments on a voluntary basis can deposit monies to the State Treasurer to be invested on a very short term basis to ensure instant liquidity to those local governments, but yet at a higher yield than they themselves could achieve. The proposed investment policy for LGIP incorporates most of the changes we discussed in May. I will not go through every change. My transmittal memo to you in your packet does summarize the major changes to the policy.

I will concentrate here this morning just on the changes to the authorized investments which is section nine of your proposed policy. What you have in addition to my transmittal memo is the proposed policy, as well as the current policy so that you can see the changes to this policy. In section nine, in terms of authorized investments, our first change was that we deleted the authorization for asset backed securities and non agency CMO's as eligible investments. We did that not out of any credit concern, but more so because we are limited in this portfolio to a two year maximum maturity and it is virtually impossible to find asset backed securities or CMO's with a maturity less than two years. Since we have not bought any of those securities in a number of years, we thought it made sense to just delete that as an authorized investment. A second change we made, just for consistency purposes, is that we had some asset classes that required just a single rating by a credit rating agency and then other asset classes that required two ratings by credit rating agencies. We have now made that consistent and all of those asset classes in section nine will require two credit rating agencies, compliant with State law. We think that is a good protection to have.

In subsection B of section nine regarding commercial paper, we have expanded the requirements for commercial paper, and specifically we added items 2, 3 and 6. For US Agency Securities which is sub section J, we again deleted mortgage backed securities and CMO's as eligible investments, again based on the fact that we cannot find any mortgage backs or CMO's with less than 2 years maturity. And then the final two changes to section nine that I will go over is that we have added two new asset classes to the policy. These are allowed in state law but were not included as part of the previous investment policy. First, we have added tax exempt municipal bonds. This is a little different than in May where we added both tax exempt and taxable municipal bonds for the general portfolio. In State law, for local governments only, tax exempt municipals are an eligible investment. So that is why you see a little bit of a difference there. But we do believe there is value in being able to buy even tax exempt municipal bonds that are now trading above Treasuries for the portfolio. For instance, recently we've seen Clark County School District and Clark County bonds that offer a higher yield than US Treasuries – these are very safe instruments. We would like the ability to go buy those bonds when it is appropriate. Then in section H we have also added time certificates of deposit. Those are limited to CD's offered by institutions that have a bank branch in Nevada. Those are the major changes that we are proposing for section 9, and as I say, there are other sections here that are also modified but consistent with the action that the Board took in May concerning the General Portfolio.

**Governor Sandoval:** Thank you Mr. Mathers. Questions from Board members on this agenda item number 5? I compliment you on having that language in here for the physical location in the State of Nevada. That is good and will be very helpful. Hearing no questions from Board

members, I would ask if there is any member of the public who would like to provide public comment with regard to agenda item number 5, either in Carson or Las Vegas. Great work; I want to compliment you because I know that there is a lot of time and effort that goes into it, and you come to a meeting and present it in five minutes when there have been several hours that have gone into this, so thank you very much. Is there a motion for approval of agenda item number 5?

Dave Funk moves to approve  
Steve Martin seconds the motion  
No further discussion  
All members vote in favor-Motion passes

### **Agenda Item 6**

Discussion and possible action regarding the State Treasurer's quarterly investment report for the quarter ended June 30, 2011

Presenter: Mark Winebarger, Chief Deputy Treasurer

**Mark Winebarger:** Governor, to summarize and highlight some of the items on this report, the average balance in the General Portfolio increased by \$70 million over the third quarter. But its ending balance was down about \$61 million. Balances are very cyclical, so a lot of times the end of month balances are relatively low compared to average balances for each quarter. The General Fund average balance, that is the account balances allocated for General Fund interest earnings, increased by \$83 million over the prior quarter. The quarter ending balance increased by \$46 million over the prior quarter's ending balances, as well. The portfolio outperformed its rolling 90 day T-Bill benchmark by 57 basis points, while earning a .58 percent interest rate. For the LGIP, the average balance decreased by \$27 million dollars in the fourth quarter but its ending balance was down about \$82 million from the previous quarter. The portfolio outperformed its 90 day T-Bill benchmark by 9 basis points and its yield at June 30 was .13 percent. The Treasurer's Office requests approval of this report and continued approval of its investment policies for the General Portfolio.

**Governor Sandoval:** So, given national circumstances, we are doing about as well as we can.

**Mark Winebarger:** Yes. With the notice that the Fed is keeping the Fed Funds rate low for the next two years, there is no real bright outlook.

**Governor Sandoval:** I have no further questions; do any of the Board members have questions or comments with regard to agenda item number 6? Is there any member of the public in Carson City or Las Vegas who would like to provide comment with regard to agenda item number 6? Hearing none, the Chair will accept a motion for approval of agenda item number 6 as presented.

Dave Funk moves for approval  
Controller Wallin seconds the motion  
No further discussion

All members vote in favor-motion passes

**Governor Sandoval:** Are there any Board member comments? And I will ask for public comment one more time from anybody in Carson City or Las Vegas. Hearing none, is there a motion for adjournment?

Treasurer Marshall moves to adjourn

Dave Funk seconds the motion

No further discussion

All members vote in favor-motion passes